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MEMORANDUM

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TO: Docket Control

FROM: Steven M. Olea
Director
Utilities Division

2011 JUN 17 A 8:41

AZ CORP COMMISSION
DOCKET CONTROL

DATE: June 17, 2011

RE: **STAFF RESPONSE TO SERVICE LATERAL INSTALLATION CHARGES** – STAFF REPORT FOR BACA FLOAT WATER COMPANY, INC. – SEWER DIVISION APPLICATION FOR A PERMANENT RATE INCREASE (DOCKET NO. WS-01678A-10-0504)

INTRODUCTION

On June 1, 2011, the Hearing Division filed a Procedural Order ordering the Utilities Division (“Staff”) of the Arizona Corporation Commission to file a reply by June 17, 2011 to Baca Float Water Company, Inc. – Sewer Division’s (“Company”) request for additional information related to Staff’s recommended service lateral installation charges.

DISCUSSION

On April 4, 2011, Staff filed its Staff Report in this proceeding with the following proposed service lateral installation charges:

Meter Size	Company’s Current Charges	Company’s Proposed Charges	Staff’s Proposed Charges
4-inch	None	\$1,600	\$800
6-inch	None	\$2,300	\$1,000
8-inch	None	\$2,700	\$1,200
10-inch	None	-	\$1,400
12-inch	None	\$3,800	\$1,600

On May 3, 2011, the Company filed a response to the Staff Report indicating that Staff’s proposed installation charges were too low and requested the following factors be considered in support of higher installation charges;

1. “There could be between 3 and 9 homes on a (septic) tank and the service line could possibly extend up to 9 lots from the installing lot.” (Actual Company statement.)

2. No local contractors in Tubac, resulting in more costs for contractor's travel time and fuel from Tucson.
3. The Company proposed charge of \$1,600 for the 4-inch is at the low end of cost structure fee and should be higher.

During Staff's field inspection of the Company's sewer system, Staff visited one of the grouped homes where the Company provided construction and operations data related to the Septic Tank Effluent Pumping ("STEP") system, its service laterals and collection mains. As a follow-up to its inspection, Staff submitted a data request related to the Company's proposed service lateral installation charges. Based on this information, Staff concluded that the collection main was installed before the septic tank that collects the sewage flow of the 3 to 9 homes per STEP. Staff considered this collection main the responsibility of the Company and did not include its cost as part of the service lateral installation charge. Staff's proposed service lateral installation charge only includes the "wyse" installation for the service lateral and the customer is responsibility for the service lateral from the collection main home to the home. (See attached Figure - Drawing for further clarification.)

CONCLUSION/RECOMMENDATION

Staff concludes that its proposed service lateral installation charges as presented in its Staff Report are reasonable and continues to recommend these charges be adopted.

SMO:MSJ:red

Originator: Marlin Scott, Jr.

Attachment: Figure - Drawing

Service List for: Baca Float Water Company, Inc. – Sewer Division
Docket Nos. WS-01678A-10-0504

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Chief, Hearing Division
Arizona Corporation Commission
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Ms. Janice M. Alward
Chief, Legal Division
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Mr. Steven M. Olea
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Figure - Drawing

Example of service lateral installation

